

Message Text

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ACTION NEA-10

INFO OCT-01 AF-06 EUR-12 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 PA-01 PRS-01 H-02 IO-10

SAM-01 AGR-05 /119 W

----- 114316

R 201100Z DEC 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4311

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY ATHENS

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMCONSUL JERUSALEM

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY MANAMA

AMEMBASSY MOGADISCIO

AMEMBASSY MUSCAT

AMEMBASSY NOUAKCHOTT

AMEMBASSY RABAT

AMEMBASSY SANA

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

USINT BAGHDAD

C O N F I D E N T I A L KUWAIT 5308

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E.O. 11652: GDS

TAGS: ETRD, EGEN, PFOR KU

SUBJECT: US ANTI-BOYCOTT ACTIONS BEGIN TO AFFECT US-
KUWAIT BUSINESS

REF: KUWAIT 5209(NOTAL)

1. REFTEL WHICH WAS SENT DECEMBER 10 REPORTED THAT THERE HAD BEEN VIRTUALLY NO KUWAITI OFFICIAL OR PUBLIC REACTION TO STEPS TAKEN IN US UNTIL THAT TIME TO COUNTER ARAB BOYCOTT. SITUATION IS CHANGING. ALTHOUGH GOK HAS REMAINED SILENT AND PRESS HAS ESSENTIALLY LIMITED ITSELF TO FACTUAL REPORTING OF FEDERAL RESERVE ACTION AND POSSIBLE JUSTICE DEPARTMENT LAWSUIT AGAINST BECHTEL, BUSINESS COMMUNITY BECOMING INCREAS-
INGLY CONFUSED AND CONCERNED. MOREOVER, WE HAVE LEARNED OF SEVERAL EXAMPLES OF POTENTIAL BUSINESS THAT HAS BEEN LOST OR ALMOST CERTAINLY WILL BE.

2. MOST IMPORTANT EXAMPLE COMES FROM NATIONAL HOUSING AUTHORITY WHICH WANTS TO BEGIN SERIOUS NEGOTIATIONS WITH CRS, AN AMERICAN CONSTRUCTION MANAGEMENT COMPANY, STRESSCON, A PRE-FAB HOUSING COMPANY AND KAISER ENGINEERS. WE ESTIMATE SOME \$200 MILLION IN CONTRACTS ARE INVOLVED, AND NHA HAS BEEN INVESTIGATING US FIRMS LONG ENOUGH SO THAT CONTRACTS, OTHER THINGS BEING EQUAL, WOULD VERY LIKEY HAVE BEEN GIVEN TO US FIRMS. IN ADDITION WE UNDERSTAND CONTINENTAL CAN COMPANY IS NERVOUS ABOUT PROCEEDING WITH JOINT VENTURE PROJECT HERE; A WESTINGHOUSE EQUIPMENT SALE IS BEING HELD UP BECAUSE OF LETTER OF CREDIT PROBLEMS WITH PENNSYLVANIA BANK; PRICE-
WATERHOUSE DECIDED AGAINST SUBMITTING PROPOSAL FOR IMPORTANT DATA PROCESSING PROJECT AT KUWAIT PLANNING BOARD.

3. LOCAL AMERICAN BUSINESSMEN AND OTHERS EXPLAIN THAT GENERALLY CONSERVATIVE MANAGERS OF US FIRMS ARE HESITANT TO TAKE ANY ACTION WHICH EVEN IF LEGAL WILL PERHAPS SUBJECT THEM TO ACCUSATIONS OF "ANTI-SEMITISM." NOTING THAT USG APPARENTLY IS GOING TO PROSECUTE BECHTEL, SMALLER COMPANIES ARE GETTING MESSAGE AND LAYING LOW. ON KUWAITI SIDE THERE IS CONCERN THAT TIME DEVOTED TO POSSIBLY LENGHTHY AND COMPLEX NEGOTIATIONS WOULD BE SENSELESS SINCE IN FINAL ANALYSIS US FIRMS WILL NOT BE ABLE TO DO BUSINESS HERE.

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4. MOST LOCAL OBSERVERS DOUBT THAT MUCH CAN BE DONE ON THIS SIDE TO REDUCE OFFENSIVE TERMS OF BOYCOTT AS APPLIED HERE. IN FACT, KUWAIT NATIONAL PETROLEUM COMPANY APPARENTLY HAS RECENTLY STIFFENED TERMS OF ITS CONTRACTS. NO LONGER SUFFICIENT TO SAY GOODS ARE FROM US; NOW SUPPLIERS MUST ALSO STATE THAT GOODS ARE NOT RPT NOT FROM ISRAEL. CONSENSUS HERE IS THAT IF US FIRMS CANNOT OR DO NOT WANT TO DO BUSINESS HERE, THAT

IS THEIR PROBLEM. BUSINESS WILL GO TO EUROPEANS AND JAPANESE THROUGH WHOM KUWAITIS WILL BE ABLE TO OBTAIN WHATEVER US TECHNOLOGY THEY WANT.

5. WE HAVE STRESSED TO QUESTIONERS THAT US WANTS TO MAINTAIN FRUITFUL TRADE RELATIONS WITH ARAB WORLD, AND, OF COURSE, KUWAITIS WOULD BE DELIGHTED TO CONTINUE WHAT HAD BEEN RAPIDLY INCREASING TRADE BETWEEN TWO COUNTRIES. HOWEVER, BUSINESSMEN HERE CANNOT SEE HOW TRADE AND BUSINESS CAN CONTINUE AT ANYTHING LIKE LEVEL ESTABLISHED DURING PAST YEAR IF STEPS REPORTED IN PRESS AND ATTITUDE THESE STEPS REPRESENT EXIST IN USG. AND YET NEITHER CAN THEY IMAGINE THAT US INTENDS TO REMOVE ITSELF VOLUNTARILY FROM LUCRATIVE ARAB MARKETS. FOR NOW, THEREFORE, PREVAILING MOOD AMONG BUSINESSMEN IS ONE OF CONSIDERABLE CONFUSION.

6. ACTION REQUESTED: WE SHALL BE HAVING ONE OF OUR PERIODIC MEETINGS WITH RESIDENT AMERICAN BUSINESS AND PROFESSIONAL MEN DECEMBER 30 AND IN ANSWER TO GROWING NUMBER OF REQUESTS WE SHALL AT THAT TIME REVIEW ACTIONS BEING TAKEN IN US. WE SHALL DRAW UPON RECENT CABLES TO EXPLAIN VARIOUS ACTIONS TAKEN AND TO REITERATE US INTEREST IN MAINTAINING GOOD TRADE RELATIONS WITH ARABS. HOWEVER, ANY ADDITIONAL INFORMATION DEPARTMENT CAN PROVIDE TO BE USED IN BRIEFING LOCAL AMERICAN BUSINESS COMMUNITY WOULD BE APPRECIATED. THIS INFO WILL ALSO BE HELPFUL TO AMBASSADOR WHO IS MAKING FAREWELL CALLS ON MINISTERS AND OTHER IMPORTANT LEADERS.
STOLTZFUS

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